

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF WESTERN     )  
KENTUCKY GAS COMPANY                    ) CASE NO. 9556

O R D E R

IT IS ORDERED that Western Kentucky Gas Company ("Western") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by June 27, 1986. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. If neither the requested information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

Information Request No. 2

1. With reference to Account No. 912, explain the reason for the 57.4 percent increase from \$151,368 to \$238,274 for demonstrating and selling expenses in comparison of 1984 with 1985.

2. With reference to the response to Item No. 20 of the Commission's Information Request No. 1, provide the most recent federal and state income tax returns available, including the supporting schedules.

3. With reference to the response to Item No. 24 of the Commission's Information Request No. 1, explain the circumstances resulting in the 29.5 percent increase in Account No. 367--Mains.

4. With reference to the response to Item No. 36 of the Commission's Information Request No. 1, provide an analysis showing the expected annualized reduction in sales to industrial customers. Explain all assumptions and estimates used in the analysis.

5. With reference to the \$44,583 adjustment to Regulatory Commission Expense, provide the following information:

a. Provide a schedule showing the derivation of the \$263,762 Pro Forma Regulatory Commission Expense to be amortized over 2 years.

b. Reconcile the \$87,298 amount identified in Entry K as "Regulatory Commission Expense recorded in test year" with the \$106,674 amount charged to Account No. 928--Regulatory Commission Expense as shown in the response to Item No. 18 of the Commission's Information Request No. 1.

6. With reference to the proposed adjustment to insurance expense, provide copies of premium notices and/or other documentation to substantiate the pro forma adjustment to insurance of \$117,113. Also, describe Western's practices with regard to procurement of insurance coverage. Include a description of bid solicitation procedures and state the most recent occasions on which bids were solicited.

7. With reference to the proposed increase in corporate allocation expense, provide a detailed analysis of the \$38,000

monthly allocation. Explain how this amount was derived and the specific expenses being allocated. Also, state any changes occurring in the monthly allocation amount since December 1, 1983.

8. With reference to the \$80,308 pension expense adjustment, provide the following information:

a. Confirm whether \$915,692 was the amount of pension expense charged to Account No. 926 during the test year. If not, state the amount that was and reconcile that amount with the \$915,692 identified as "Actual Test Year Pension Applicable to Operations" in the appendix.

b. Reconcile the \$2,454,785 amount recorded in Account No. 926 during the test period with the amounts listed in response to Item No. 44 of the Commission's Information Request No. 1. For each benefit item, show the account(s) to which charged and indicate the amounts capitalized and expensed.

9. With reference to the \$50,000 proposed adjustment to bad debt expense, provide the net write-off as a percent of sales for the years 1984, 1985 and 1986, using the same methodology as used to determine the .3498 percent figure for the test year.

10. With reference to the proposed payroll expense adjustment of \$531,755, provide the following information:

a. For each hourly employee, provide the following information:

(1) Job title.

(2) Hourly wage at the beginning of the test year.

- (3) Hourly rate at the end of the test year.
- (4) Effective date of the change.
- (5) Number of regular hours worked during the test year.
- (6) Number of overtime hours worked during the test year.
- (7) Amount of bonus received during the test year.

b. For each salaried employee, provide the following information:

- (1) Job title.
- (2) Salary period.
- (3) Salary per period at the beginning of the test year.
- (4) Salary per period at the end of the test year.
- (5) Amount of bonus received during the test year.

c. Provide an analysis showing the increase in wages to be granted prior to June 1, 1986, to approximately 30 employees who are members of a bargaining unit.

d. Provide an analysis showing the derivation of pro forma wage amounts related to temporary summer employees and explain the basis for any estimates and assumptions used in the analysis. Also, state the amount for this purpose charged to expense during the test year.

e. Explain the policy of Western with regard to the granting of bonuses.

11. With reference to the Appendix to the Commission's Information Request No. 1, Entry R, inasmuch as the Larson Prefiled Testimony contains no Exhibit 6, clarify the reference, "see Larson Exhibit 6, page 1."

12. Provide for the test year on a monthly basis, the calculation of inventory profits as set out by the Commission in Case No. 8227. Include all workpapers and supporting calculations.

13. Provide descriptions and amounts of all inter-company transactions between Western and its affiliates during the test year.

14. In Case No. 8839, the Commission disallowed the inclusion of Western's utility plant acquisition adjustment for rate-making purposes. Inasmuch as Western has not proposed the elimination of this expense, provide any evidence deemed appropriate as to why this expense should be allowed in this proceeding.

15. a. Explain the derivation of the 9.93 percent cost of short-term debt shown in Exhibit 6, page 2 of 4, of Western's notice.

b. Provide all workpapers used in the development of the representative level of short-term debt shown in this Exhibit.

16. a. List the criteria used to select the 10 comparable risk utilities shown in Larson Exhibit 1, page 2.

b. Are those the only utilities that met the criteria.

c. If not, provide a list of all utilities which met the criteria but were excluded from the Exhibit. Explain why each utility was excluded.

17. List the criteria used by Business Week to select the 20 utilities shown in Larson Exhibit 1, page 16.

18. Explain how the 10 percent interest rate, referred to on page 17, lines 16-18 of Larson's Prefiled Testimony, was determined.

19. Refer to Exhibit A, page 8 of your Notice. Provide computational support for the increase in the insufficient funds charge from \$5.00 to \$10.00.

20. Provide the revenue impact of increased reconnection and insufficient funds charges.

21. Refer to Exhibit A, page 14 of your Notice, and the definition of Expected Gas Cost. Clarify "reasonably expected" supplier rates. How would these expected rates be determined?

22. Using 2-year historical data and a 3-month base period, prepare sample GCA filings according to your proposed GCA mechanism.

23. Using 5-year historical data and a 12-month base period, prepare sample GCA filings according to your proposed GCA mechanism.

24. Provide the rationale for combining rate classes G-2 and G-3.

25. Why are demand and commodity charges separate in your proposed Large Volume Rate G-2, Exhibit A, page 11?

26. Refer to Page 8, line 7 of Mr. Hack's testimony. How is the stated contract demand determined? Explain how Rate G-2 demand of 169,476 Mcf (Exhibit 12, Page 1 of the Notice, or Hack Exhibit 2, page 1, line 8, Large Volume Rate G-2 Demand) was determined.

27. Refer to Hack Exhibit 2, page 1. Explain the basis for allocating only \$791,267 of \$10,434,546 in demand cost to large volume customers.

28. Provide a copy of the updated Stone and Webster Study mentioned on page 4 of Mr. Van Meter's testimony.

29. Provide supporting documentation for 3,771 degree days in Van Meter Exhibit 3.

30. State whether Western will incur any expenditures to accommodate transportation of gas for other parties.

31. Provide the current contracts in effect with Texas Gas Transmission Corporation ("Texas Gas"), Tennessee Gas Pipeline Company ("Tennessee Gas"), all local producers from which Western purchases gas and any other contracts in effect for supply of gas.

32. Quantify how the current costs of natural gas purchases compare with the costs of competitive or alternative sources of fuel, including No. 2 and No. 6 fuel oils, and explain what consideration is given to the prices of alternative fuel sources available to customers when purchasing decisions are made.

33. What effects do Western's contracts with Texas Gas and Tennessee Gas have on Western's ability to purchase locally produced gas at cost efficient prices?

34. Provide a copy of all workpapers used in preparing the cost allocation study. Identify any assumptions that were used in developing the cost allocation factors, and those used in allocating costs among customer classes. Provide a detailed rationale for these assumptions. Include for each account the allocation method used, other methods considered, and why the method chosen was used.

35. How is production cost for locally produced gas different from interstate pipeline gas (page 27)?

36. Why is total storage capacity different from maximum daily capacity (page 27)?

37. How does daily contract demand differ from maximum usage per 24 hours?

38. What are the characteristics that are used to separate large commercial customers from commercial customers (page 29)?

39. Explain the term design temperatures in the context of determining peak day demands for residential and commercial customers (page 29)?

40. What are the gross plant allocation factors referred to on page 3 of Larson Exhibit 4?

41. How are the take or pay charges from suppliers' contracts allocated among "Monthly Demand" and "Commodity" on page 4 of Larson Exhibit 4?

Done at Frankfort, Kentucky, this 16th day of June, 1986.

PUBLIC SERVICE COMMISSION

ATTEST:

  
For the Commission

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Secretary